

Message Text

UNCLASSIFIED

PAGE 01 PHNOM 12436 161514Z

44

ACTION AID-59

INFO OCT-01 EUR-25 EA-11 ISO-00 EB-11 IGA-02 AGR-20 OMB-01

CIEP-03 TRSE-00 CIAE-00 DODE-00 PM-07 H-03 INR-11

L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 FEAE-00 INT-08 SWF-02 ABF-01 FS-01 DRC-01

/221 W

----- 028424

P R 161135Z SEP 74

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC PRIORITY 7728

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY SAIGON

AMEMBASSY TOKYO

AMEMBASSY VIENTIANE

AMEMBASSY WELLINGTON

UNCLAS PHNOM PENH 12436

E.O. 11652: N/A

TAGS: EFIN, EAID, CB

SUBJ: GKR ECONOMIC REFORM PACKAGE

REFS: (A) PHNOM PENH 10334 (B) STATE 171301 (C) STATE 169546

1. ON SEPTEMBER 15, THE MINISTER OF FINANCE, PLAN AND ECONOMY, KHY TAING LIM, ANNOUNCED A PACKAGE OF ECONOMIC MEASURES DESIGNED TO RESTORE BALANCE TO THE CAMBODIAN ECONOMY BY RECTIFYING CERTAIN CURRENT SEVERE PRICE DISTORTIONS. THESE MEASURES ARE SUMMARIZED BELOW.

A TRANSLATED VERSION OF THE OFFICIAL COMMUNIQUE WILL BE FORWARDED AS SOON AS IT BECOMES AVAILABLE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PHNOM 12436 161514Z

2. THE OFFICIAL SALE PRICE FOR RICE (READ PL480

IMPORTED RICE) HAS BEEN ALMOST TRIPLES, FORM 57 TO 165
RIELS PER KILOGRAM. THE HIGHER PRICE, WHICH CONVERTS TO
ROUGHLY THE EQUIVALENT OF THE BANGKOK RETAIL PRICE, SHOULD
HELP TO KEEP RICE CONSUMPTION WITHIN THE LIMITS OF
Dwindling stocks until the next harvest due in November.

3. THE OFFICIAL PURCHASE PRICE FOR PADDY HAS BEEN ROUGHLY
QUADRUPLED FROM 41 TO 160 RIELS PER KILO. THE INCREASED
PRICE IS SLIGHTLY HIGHER THAN THE CURRENT PRICE FOR PADDY
IN THAILAND. THIS SHOULD DISCOURAGE EXPORTS OF CAMBODIAN
RICE TO THAILAND.

4. THE PRICES OF PETROLEUM PRODUCTS HAVE BEEN RAISED AS
SHOWN BELOW. THESE SHOULD BRING ABOUT REDUCED CONSUMPTION
OF THESE HIGH DOLLAR-COST COMMODITIES:

GASOLINE FROM 100 TO 350 RIELS PER LITER

KEROSENE 70 180

GAS OIL 80 210

DIESEL OIL 80 200

FUEL OIL 52 130

5. THE PRESENT FOREIGN EXCHANGE SYSTEM HAS BEEN LIVERIALIZED
AND EXPANDED INTO A THREE-MARKET OPERATION WHICH IS TO BE
MANAGED BY THE NATIONAL BANK IN CONJUNCTION WITH THE COMMERCIAL
BANKS: (1) AN OFFICIALLY-SANCTIONED FREE MARKET (2) THE
NOUVEAU MARCHE DES CHANGES. (EXCHANGE SUPPORT FUND) AND
(3) THE COMMODITY IMPORT PROGRAM. DETAILS OF MARKET OPERATION
ARE BEING FINALIZED AND WILL BE REPORTED SEPTEL. EXCEPT WHEN
FUNDS ARE EARMARKED FOR SPECIAL PURPOSES UNDER THE CIP OR
POSSIBLY THE ESF, FOREIGN EXCHANGE WILL GO TO THE HIGHEST
BIDDERS AND BE SUBJECT TO A CUT-OFF FLOOR RATE. INITIALLY,
FOR THE FREE MARKET, THE FLOOR EXCHANGE RATE WILL BE 1,200 RIELS
PER DOLLAR; NMC AND CIP (NON-U.S.) 1,100 RIELS PER DOLLAR AND
THE CIP (U.S.) 915 RIELS PER DOLLAR. IT IS EXPECTED THAT THE NEW
SYSTEM WILL BE PUT INTO EFFECT ON SEPTEMBER 19. THE ESF
NEGATIVE LIST AND CIP EXCLUSIVE LIST ARE BEING RETAINED.

6. PRIVATE INDIVIDUALS AND BUSINESSES ARE ALLOWED TO BUY
AND SELL GOLD FREELY AND WILL ALSO BE ABLE TO DEPOSIT
FOREIGN EXCHANGE IN DOLLAR DENOMINATED RIEL ACCOUNTS WITH
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PHNOM 12436 161514Z

MAINTENANCE OF VALUE AND BEARING INTEREST AT THE PREVAILING
ASIA-DOLLAR RATE TO ENCOURAGE SALE OF FX TO BANKS.

7. EXPORT LICENSING HAS BEEN DISCONTINUED; HOWEVER, THE
CURRENT PROHIBITION ON EXPORTS OF RICE, BRASS AND
CONTRABAND IS BEING CONTINUED.

8. GOVERNMENT SALARIES HAVE BEEN INCREASED RETROACTIVELY TO

SEPTEMBER FIRST AS FOLLOWS:

A. CIVILIAN PERSONNEL WILL RECEIVE AN INCREASE IN BASE PAY OF 90 PERCENT PLUS A FLAT INCREASE IN THEIR COST-OF-LIVING ALLOWANCE OF 4,500 RIELS PER MONTH FOR AN AVERAGE OVERALL SALARY INCREASE OF 70 PERCENT.

B. MILITARY PERSONNEL SERVING IN COMBAT ELEMENTS OF THE INTERVENTION FORCES AND ASSIGNED TO MAP-SUPPORTED COMBAT UNITS WILL RECEIVE AN 100 PERCENT INCREASE IN BASE PAY PLUS AN INCREASE IN THE PRIVE D'INTERVENTION (COMBAT PAY) FOR 1,500 TO 10,000 RIELS PER MONTH. THE OVERALL PAY FOR A COMBAT TROOP WILL BE DOUBLED. HEADQUARTERS PERSONNEL IN INTERVENTION UNITS WILL RECEIVE THE BASE PAY INCREASE PLUS A DOUBLED MONTHLY PRIME (FROM 1,500 TO 3,000 RIELS). ALL OTHER MILITARY PERSONNEL (MAINLY TROOPS IN REGIONAL FORCES) WILL RECEIVE A BASE PAY INCREASE OF 100 PERCENT WHICH WILL AMOUNT TO AN OVERALL SALARY INCREASE OF 13 PERCENT.

C. IN ORDER TO FURTHER ENCOURAGE SERVICE IN INTERVENTION FORCES, RECRUITS OR TRANSFEREES TO COMBAT UNITS OF THE INTERVENTION FORCES WILL RECEIVE 20,000 RIELS BONUSES (1,000 RIELS AFTER ONE MONTH WITH THE UNIT; AN ADDITIONAL 2,000 AFTER THE SECOND MONTH; AND THE BALANCE OF 17,000 AFTER THE THIRD MONTH). RELATIVE WILL RECEIVE THE BONUS IN CASE OF MORTALITY.

9. THE ABOVE MEASURES ARE BOLD BUT MUTUALLY SUPPORTIVE AND WE BELIEVE EFFECTIVE IMPLEMENTATION WILL MOVE THE ECONOMY INTO A MORE VIABLE POSITION. AS NOTED, THE HIGHER RETAIL RICE PRICE SHOULD LIMIT CONSUMPTION AND DISCOURAGE ILLICIT USES; THE HIGHER PADDY PRICE SHOULD EVENTUALLY LEAD TO INCREASED DOMESTIC PRODUCTION AND CURTAIL ILLEGAL EXPORTS TO NEIGHBORING COUNTRIES; THE NEW EXCHANGE SYSTEM SHOULD INCREASE GOVERNMENT REVENUES FROM FOREIGN AID AND PROVIDE A NEW SOURCE OF FOREIGN EXCHANGE FOR THE GOVERNMENT, I.E.
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 PHNOM 12436 161514Z

PRESENT BLACK MARKET EXPORT EARNINGS; THE HIGHER POL PRICES SHOULD BRING ABOUT MORE ECONOMIC USE OF THE VALUABLE COMMODITIES AND THUS SAVE FOREIGN EXCHANGE FOR OTHER CRITICAL IMPORT NEEDS; THE CIVILIAN SALARY INCREASES ARE LONG OVERDUE AND WILL HELP OFFSET THE IMPACT OF INCREASED PRICES; THE DIFFERENTIAL INCREASES IN MILITARY PAY IN FAVOR OF INTERVENTION TROOPS PROVIDES SUBSTANTIAL FINANCIAL INCENTIVE TO THOSE SOLDIERS ACTUALLY CARRYING THE BURDEN OF FIGHTING.

10. WILL KEEP WASHINGTON APPRISED OF SIGNIFICANT DEVELOPMENTS AS THE REFORM MEASURES ARE BEING IMPLEMENTED.
KEELEY

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RICE, ECONOMIC PROGRAMS, PRICES, WAGE RATES, FOREIGN EXCHANGE
Control Number: n/a
Copy: SINGLE
Draft Date: 16 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PHNOM12436
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740258-0991
From: PHNOM PENH
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740942/aaaabjqe.tel
Line Count: 166
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AID
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: (A) PHNOM PENH 10334 (B) STATE 17130, 1 (C) STATE 169546
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUL 2002 by maustmc>; APPROVED <30 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GKR ECONOMIC REFORM PACKAGE
TAGS: EFIN, EAID, CB
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005